

Hungry Horse County Water and Sewer District Directors' Meeting

Thursday June 18, 2020

Those present: President Doug Wagner, Vice President Vivian Allen, CFO Jamie Foster

Also present: General Manager/Operator Ben Shafer, Bookkeeper Judy Rosenbaum

Public present: Brent Schmidt

Note: Recording begins after the Call to Order (time not noted)

President Wagner: Approval of minutes May 28th meeting?

Bookkeeper: Requested copy of minutes, paper copy provided by President Wagner. Requested electronic version going forward.

Vice President Allen: Not finalized until this afternoon.

President Wagner: Motion to accept minutes

Vice President Allen: Whereas the Montana Code requires that all water Board votes be recorded by ayes and nays with a way in which to identify who voted aye or nay, and whereas in the recordings used for taking and compiling the minutes of the 19 and 28 May 2020 Directors' meetings, votes at times were indistinguishable or seemed to not be voted on by all directors present, I move that all motions presented in the minutes dated 19 and 28 May 2020 be amended to read "unanimous" except in the cases where directors at this time specify that they either were not in favor or abstained on a particular motion or motions, and state on which motion they voted no or abstained.

Seconded by CFO Foster with voting as follows: Ayes - President Wagner, President Wagner, President Wagner, Vice President Allen, CFO Foster. Motion carries and it is SO RESOLVED by the Board of Directors.

Vice President Allen: States that she was in favor of all motions except the motion to table nominations which she abstained on.

Vice President Allen: Point of Clarification – President Wagner and CFO Foster voted affirmative on all motions, to the best of their recollections.

- President Wagner and CFO Foster affirmed.

President Wagner: Motion on minutes?

Vice President Allen: Move to approve the minutes as presented with that amendment to them
No second with voting as follows: Ayes - President Wagner, President Wagner, Vice President Allen, President Wagner, CFO Foster. Motion carries and it is SO RESOLVED by the Board of Directors.

Public Comment

- Brent Schmidt, resides in HH to check out possibility of being on the Board.

Bookkeeper's Report

- Cash Balance
 - As of tomorrow (6/19/2020) after \$1400.00 deposit is made will be \$38,815.94.
 - Normal RD pmts made on the 5th.
 - Payroll taxes on the 10th.
 - 3 deposits have been made, the 4th will be made tomorrow.
 - Bills to be paid not including RD pmts and payroll taxes \$13,109.46.
- Directors Report

- May readings show 19.5% water loss.
- Sales: \$19,901.08 base rate and usage.
- 1 reconnection.
- 1 disconnect.
- Adjustments: due to moratorium by the state, not only were there to be no shut-offs, late fees could not be charged. Late fees charged for the month of April had to be reversed. There were no late fees charged in May.
 - Other adjustments
 - Stan Stetz closed his account and had prepaid, leaving \$26.11 credit on his account. Check had been issued and sent to him last month.
 - Laura Bushard/Wilmington Saving Fund Society \$44.59 mis-applied pmt.
 - Craig Johnson estimated reading correction; overestimated due to leak \$45.22 credit to his account.

President Wagner: Why did Stan close his account?

Bookkeeper: He moved.

President Wagner: That is still accruing monthly charges?

Bookkeeper: Yes, the new owner will.

CFO Foster: asked for clarification of water use period that the adjustments were being made for.

Bookkeeper: April 20th – May 20th.

CFO Foster: asked for clarification that the billing program automatically applied the late charge.

Bookkeeper: Yes.

- Stephany Gabbard & Trent Mendenhall as discussed previous meeting, bank adjustment due to discrepancy between legal line and numerical amount on checks.
- Goehring, stale date check. Have not yet received replacement check, but it took 3 weeks for mail sent from here to reach them in Alberta.

President Wagner: questioned if it is normal to have that many late fees.

Bookkeeper: Yes.

- Balance Sheet: Bookkeeper still checking into a few things, WFCU \$5,429.93 and unknown checks received. Unknown check received in an unearned revenue account. President Wagner asked how long it needs to remain on the books. Bookkeeper stated she didn't know and would have to check with an accountant to see how it should be handled.
 - Accounts receivable \$23,677.96
 - Delinquents to taxes from 2019 balance \$2585.75
 - Prepaid Insurance: still 1 month remaining in the fiscal year. Have received bill from Cincinnati Insurance for FY 2021 \$3544.00
 - Prepaid comp: have not yet received bill for FY2021
- P&L: Bookkeeper suggested going through the current year budget at the same time as the proposed FY2021 budget.
- Check Detail bills :
 - Online payments are made to Centurylink, taxes, both Federal & State & Flathead Electric.
 - General Manager/Operator's paycheck: expenses (receipts provided by General Manager/Operator): voice recorder, portable HD, staking & office supplies and Parliamentary Procedures office copy totaling \$21.69
 - Merlin's paycheck: Bookkeeper neglected to pay phone reimbursement on his May paycheck so that is included on June's paycheck (\$50)
 - CCWSD: \$10.00 cost share plus \$252.00 cost share for the billing software annual maintenance
 - Core & Main/Northwest Pipe: supplies for 2 hookups
 - RVS Software: envelope purchase \$64.50 envelopes/\$26.54 freight
 - Cincinnati Insurance: 2 separate annual policies \$3,544.00

- Utilities Underground: 2 months of U-Dig locates \$9.42 & \$32.97

President Wagner: requested clarification on U-Dig locates.

General Manager/Operator: Utilities Underground charges the District when General Manager/Operator is called out for a locate. They are administering the information that they then provide to General Manager/Operator so he can positively locate. All utilities pitch in to pull together that service.

- Past Due list (accounts that are on)
 - Separate motion made in March to shut-offs prior to the governor's issuance of the moratorium. There would have to be a motion to reverse that prior to doing shut-offs. If the Board decides to do that, then General Manager/Operator can leave door hangers.
 - SAS Properties, abandoned by still on Past Due list because he still owes what he owed at the time of abandonment. That can be sent to taxes as well.
 - Rossbach was turned back on in March because of health crisis.

Bookkeeper affirmed reconnection fee was charged to Rossbach.

- Bookkeeper has spoken with Maureen Neumann. They have sent a MO for \$100.00, but have not yet received it. They are in Canada and mail is taking 3 weeks.
- Forest Service has one account with credit balance \$525, the remaining are past due. Bookkeeper is working with the new contractor that handles their bill payments to resolve the matter.
- Past Due (accounts that are shut off) – these will receive a letter stating if balance is not paid by August 15th, they will be turned over to the county for taxes on August 20th.

Bookkeeper affirmed that the above referenced accounts are shut off, that they weren't turned back on due to moratorium, with the exception of Moskaloff, who had turned themselves back on previously.

President Wagner: asked if the pit was accessible at Moskaloffs.

General Manager/Operator: They have something over it. He will get back with the Sheriff regarding this.

Bookkeeper: District received letter a year or more ago from Crosswhite saying we were to stop sending them bills, that they no longer own it, that it is under the state's control. They provided a name & phone number of someone they said was with the state. Bookkeeper found it to be a private lawyer who did not return her call to them. As of August 2019, Moskaloff was still listed as the owner of record on the county website. Subsequently, Bookkeeper sent a certified letter to Moskaloff stating this and has not heard any more of the matter.

- Timesheets:
 - Bookkeeper: upper portion grayed out as time was estimated. The 18th on should be fairly close.

President Wagner: asked for clarification on 5/15 Warren off. Was that the Warrants Office?

Bookkeeper: No, shut off at Steve Warren.

CFO Foster: Board saw the file room during their system tour.

Bookkeeper: Suggested that prior to disposing of any files that the boxes be gone through as some are a mixture of years.

President Wagner: Bills?

BS: Point of Information.

President Wagner: Acknowledged.

BS: Typically payment of bills has required a motion in the past.

Vice President Allen: So moved. CFO Foster seconded with voting as follows: Ayes – Vice President Allen, CFO Foster, President Wagner. Motion carries and it is SO RESOLVED by the Board of Directors.

Correspondence

- USDA Rural Development annual reporting forms
- Jackson, Murdo and Grant, PC – bonding transcript
 - Bookkeeper noted Anna Miller, DNRC, has been emailed items needed from the transcript to begin looking at refinancing with State Revolving Fund dollars and confirmed for President Wagner that Anna handles loan forgiveness programs. Once Bookkeeper

has confirmation from Anna that she (Anna) has all she needs, she will file the disk at the office.

- Tri-County Water District RR/Utility Crossing Survey (0 crossings in District)
- Montana Water Court – Order extending settlement deadline
- Shifflet (via Fortress Bldrs) – application for service
- Debra Search – request for statement (12/2019 – current); audit sent
- MT DEQ – Project Priority List bypass notification
- MT DEQ PWS info request form
- Glacier Bank – Goehring original check
 - CFO Foster requested clarification on the date of the deposit with Goehring check. Bookkeeper reported the deposit occurred on 4/24 and she has spoken to Debbie Goehring. Debbie thought the \$65.00 chargeback on the stale date check was excessive. Bookkeeper explained that \$15.00 was the District's fee, \$50.00 was charged to the District by the bank. CFO Foster reported the bank has said they will get rid of the \$50.00 fee if it is within 60 days. Bookkeeper will let Debbie know by email and gave a copy of the bank notification and check to CFO Foster.
- Sent Hendershott back his check to be completed (legal line blank).

Other Correspondence

- President Wagner produced bank forms needing Bookkeeper's signature. Bookkeeper's signature will allow her access to the Glacier Bank account for maintenance activities.

Bookkeeper provided Board with basic charge calculation breakdown downloaded from Flathead Electric's website.

Unfinished business

Bonding

Vice President Allen reported the VP had moved that operator would look into bonding pros and what would be involved in that for employee and Board of directors. There was never a vote taken on that and VP informed the Board that proper procedure would be to deal with it now, proceed to Old Business, then last of all, move on to new business.

Vice President Allen: moves that our General Manager/Operator look into bonding pros and cons, what would be involved in that for employees and Board of Directors. President Wagner seconded with voting as follows: Ayes – President Wagner, (*unintelligible*). Motion carries and it is SO RESOLVED by the Board of Directors.

Old Business:

Update on Board member search

President Wagner has spoken with a few people about it, but has no commitments, nor did any of those he spoke with show for the meeting. He questioned if the District wanted to add a comment to the water bills?

Vice President Allen asked the Board if they would like to discuss inviting Director Schmidt onto the Board. Mr. Schmidt stated General Manager/Operator had asked Brent three years previous if he'd like to be on the Board. He deferred to two others who also showed up for the Board meeting. He stated his understanding of the necessity of volunteering and would like to serve the community in this way.

Vice President Allen confirmed with Director Schmidt that he meets all MCA qualifications to be on the Board then moved extend a welcome to Mr. Schmidt to the Water District Board of Directors with the reminder that Director Schmidt's term expires in 2 years as he is replacing an incumbent whose term expires in 2022. President Wagner seconded with voting as follows: Ayes – President Wagner, Vice President Allen, President Wagner, CFO Foster. Motion carries and it is SO RESOLVED by the Board of Directors.

Secretary search

Bookkeeper recited the MCA description of duties and will provide that to Vice President Allen via email. Vice President Allen asked if the Board like her to contact Lynn Skinner with the job description or wait until compensation has been discussed. President Wagner stated the Board should at least have an idea of compensation in mind. Vice President Allen asked Director Schmidt if he had any knowledge of her through their church connection, any thoughts of Lynn as potential Secretary but Director Schmidt has not utilized her in that way so not sure of capabilities and that she is a very outgoing person but no other thoughts on that.

Bank signature

This has been taken care of and verified for both Glacier Bank and WFCU

It was also noted that the District has a safety deposit box at Glacier Bank, but no key and no box at WFCU. In addition, the Bookkeeper has been added to the account in order to have legal access to speak to Glacier Bank regarding the District's account, but is not a signatory. The Bookkeeper is to contact GB regarding an online password, what it is and if it needs to be reset. Bookkeeper has no knowledge of online password and does not want that access (checks and balances). General Manager/Operator provided the password to the Board. The bank notified the Board members that District information would need to be updated with the Secretary of State. There were questions from the bank about filing status – nonprofit? C-corp? S-corp? Bookkeeper clarified they are quasi-governmental.

Director Schmidt has had problems with online access with their commercial account and had to call to make the account usable again. Bookkeeper clarified for President Wagner that it is her assumption the online bill pay is for the District to pay bills, not for acceptance of customer payments.

President Wagner reminded the Board that WFCU requires 2 signatures to withdraw money as well, which we'll need for the loan payoff.

Bonding Information Report

General Manager/Operator has spoken with MT Rural Water Systems to see what is standard practice and what is legally required. District is not legally required to carry bonds for employees or directors. Bonds are only required for major projects requiring large loans or risk cost. He also spoke with Amanda from Cincinnati Insurance. She informed him we have Directors & Officers coverage which protects the Board and any officers against personal liability in case of a lawsuit or similar. They offer Employee theft coverage which would reimburse the District for any money that employees might steal. Cost of coverage starts at \$250/year. In Amanda's opinion and General Manager/Operator's, it seems unneeded as General Manager/Operator does not have access to the District's money. After running through the Board's concerns with MRWS and Cincinnati Insurance, it seems that the District does not have any exposure as far as bonding. Bookkeeper reported, that according to the original policy from Cincinnati Insurance, the monetary limit on the D&O policy is 1M in the aggregate, the Investigative Cost Sublimit is \$100K in the aggregate and the Excess Benefit Transaction Tax Sublimit \$20K per organizational manager. General Manager/Operator added that in the process of the new Board appointing officers, he believes he was named the manager that is an officer position, making him covered under the D&O insurance. Amanda pointed out to General Manager/Operator that if he is working for the company, he has no personal exposure. Vice President Allen requested clarification on the officer part and the General Manager/Operator confirmed that he is covered as both an employee and officer.

Vice President Allen then inquired if the District would be liable for anything General Manager/Operator were to do in his capacity as General Manager/Operator and was informed that would be covered under the District's liability policy. CFO Foster inquired bonding is covered in the MCA. Vice President Allen responded that yes, it is an option of the Board, but not a requirement and that it is mentioned in the MCA, so may be something the Board would want to look into if it felt it was needful.

Bookkeeper reported on insurance coverage issued with the original Cincinnati policy:

- Crime coverage part declaration
 - Employee theft 500K, \$500 deductible
 - Forgery/Alteration 500K, \$500 deductible

- Inside the Premises 500K, \$500 deductible
- Outside the Premises not covered. Bookkeeper will check with Cincinnati Insurance about Bookkeeper's home office
- Computer fraud 500K, \$500 deductible
- Funds transfer fraud, Money Orders and counterfeit money and client's property not covered
- Claim expense 500K, \$500 deductible

General Manager/Operator will double check that all coverage is still in effect as this information is from the original policy.

County attorney role in assisting water district

Covered in last meeting – they don't

Rules and Regs update

General Manager/Operator has reviewed approximately 40% of the Rules & Regs and has found some basic typographical or wording improvements and a couple areas where District's common practice does not match with Rules & Regs. General Manager/Operator was not able to get an advanced copy of the changes to the Board prior to the meeting so suggests it be revisited at a later meeting so the Board has time to review prior to discussion.

CFO Foster questioned if the Board wait for the full revision or begin with the 40% once General Manager/Operator has it ready? General Manager/Operator will continue to review the rest in time for the next meeting. The Board can then decide how complicated it is and how much they want to review at that time.

Vice President Allen: Whereas there are grave legal and indemnification implications, and completely unfair implications for water customers, I move that my motion on 28 May 2020 regarding updating of the Rules and Regs being done according to our operator's best knowledge and belief be rescinded, and the intent of the original motion substituted. The original motion (intent) was to Move that the General Manager/Operator bring all rules and regulations up to date (this would mean going through the minutes as far back as possible) at the MO's earliest convenience and provide each Board member and the secretary with a revised copy prior to the next meeting thereafter, and that the revised and updated copy be adopted at that meeting, with the President and Secretary having *post facto* authority to correct obvious errors brought to their attention. All revisions backed by copies of the appropriate minutes, to be comb bound in the back of the new revised Rules and Regs.

President Wagner questioned how this motion is that different than what's gone on so far. Vice President Allen responded that her understanding is that the operator has a working knowledge of what the current Rules & Regs are but for legal purpose, for fairness to customers, because of potential serious implication relying on one person's recollection, there should be something concrete backing up Rules and Regs. This was not General Manager/Operator's understanding, based on the motion that was passed at previous meeting, that it broadens the scope of research. General Manager/Operator reported that minutes are, prior to recent, not in good order, that tracking down when motion was made to make a rule is a lot more work and that the next meeting deadline is unreasonable. Vice President Allen stated that this request is at his earliest convenience as it fits in with more pressing items.

CFO Foster requested clarification of rules that are not followed as Standard Operating Procedure (were you told differently or is it something that has always been done differently or that you think was voted differently). General Manager/Operator provided an example: if someone sells a house and there is a new buyer, Rules & Regs require a new application. General Manager/Operator never saw that when Bill was there and General Manager/Operator himself has never done that. It is an issue that needs to be resolved, maybe with an amended application without the associated fees. President Wagner questioned if that was fairly new in the rules. General Manager/Operator replied that there is no time date stamp associated with each of the rules; no straight forward way to know when each rule was implemented. There was a request by President Wagner for a copy of the application then asked for a second to the

amended motion on the floor. Director Schmidt seconded, General Manager/Operator asked for a second reading.

Vice President Allen: Whereas there are grave legal and indemnification implications, and completely unfair implications for water customers, I move that my motion on 28 May 2020 regarding updating of the Rules and Regs being done according to the manager's best knowledge and belief be rescinded, and the intent of the original motion substituted. The original motion (intent) Moves that the MO bring all rules and regulations up to date (this would mean going through the minutes as far back as possible) at the MO's earliest convenience and provide each Board member and the secretary with a revised copy prior to the next meeting thereafter, and that the revised and updated copy be adopted at that meeting, with the President and Secretary having *post facto* authority to correct obvious errors brought to their attention. All revisions shall be backed by copies of the appropriate minutes, to be comb bound in the back of the new revised Rules and Regs.

President Wagner questioned whether "post facto authority to correct obvious errors" meant they move them forward into the Rules & Regulations as they should have been? Vice President Allen replied that she would like to insert scrivener, meaning a typist error, not an error of material substance with voting as follows: Ayes –Vice President Allen, President Wagner, CFO Foster, Director Schmidt. Motion carries and it is SO RESOLVED by the Board of Directors.

Copy card

General Manager/Operator stated this item should not have made main agenda. He will cover in his report.

Newsletter/Website/Online bill payments

Bookkeeper is waiting on info from billing software online payment partners and will have more information next month. General Manager/Operator has spoken with a local webmaster. Her pricing is not cost competitive with other offers received and is not a viable route.

Regarding a newsletter, CFO Foster would like to have a date in mind for release and would like to include information within that newsletter on where to find minutes. Bookkeeper stated minutes are uploaded to the county. Financials are not required to be uploaded and she has not found where other districts have attached financials to their minutes. She is doubtful the county will allow anything other than minutes uploaded to their website and that if the District does want Rules & Regs, bylaws, rate structure and applications online, it would have to be their own website.

Vice President Allen moves that the Board Secretary send each month's approved signed minutes to the county and request they be posted on the county website. Seconded by Director Schmidt with voting as follows: Ayes – President Wagner, (*unable to determine individual votes*), Director Schmidt. Motion carries and it is SO RESOLVED by the Board of Directors.

Bookkeeper informs the Board minutes are uploaded and accessed through the Elections Department at the County. Vice President Allen requests the Bookkeeper upload the minutes in the absence of a secretary and Bookkeeper agrees.

Telemetry Update

General Manager/Operator reports that it appears that a wider base of replacement units are available for our touchscreens than originally thought. For \$1K – \$2K we can get an unused or refurbished unit. This seems like a better option now, in my opinion. Expect about a month for reprogramming of our firmware onto the new unit and for it to be delivered here. It could be installed as soon as this summer which is still a lot sooner than a whole new system. General Manager/Operator feels like Devon (Allen Bradley) is definitely capable of assisting us with this but his lack of responsiveness makes him leery in having him do a whole new system for the District. His official recommendation at this point, with the new information gathered, is to replace just the failed user interface rather than changing out the whole system.

President Wagner requested clarification on costs. General Manager/Operator reported the unit itself is \$1000 - \$1600 plus an assumed fee from seller to install firmware. Devon's fee to come out and load software would be \$150.00 and that yes, he is ready to move forward after a vote by the Board.

Vice President Allen: I so move we do that and express our appreciation to the operator for finding that great budget help there. Seconded by CFO Foster with voting as follows: Ayes – President Wagner, CFO Foster, Vice President Allen, Director Schmidt. Motion carries and it is SO RESOLVED by the Board of Directors.

General Manager/Operator expressed concern about paying for the unit and install. He handles most expenses by paying out of pocket then being reimbursed, but with a large expense such as this, he would like to send the information to Bookkeeper to purchase online or issue a check. President Wagner would like a written bid prior to a motion to approve the purchase. CFO Foster asked for clarification on whether General Manager/Operator was to bring the written bid to the next meeting or proceed with the purchase. President Wagner stated purchase should move forward and get the paperwork after the fact.

Vice President Allen: So moved. Seconded by Director Schmidt with voting as follows: Ayes – President Wagner, CFO Foster, Director Schmidt, Vice President Allen. Motion carries and it is SO RESOLVED by the Board of Directors.

Items to be uploaded - Tabled

Vice President Allen: I move that all ordinary meeting records, financials, agendas, minutes, operator reports and other reports, etc... as well as system map information, whether in paper or digital form, which are normally kept in the Water District office be digitized, categorized by date and type and be uploaded into digital format for eventual publication online for public access with the exception of the past due list and customer correspondence. I further move that all legal documents, all rules, regs, bylaws, policies, job descriptions, covenants, be uploaded digitally for eventual publication online for public access. Any document which should contain a signature must be digitized with the signature page signed. I further move that eventually all records, paper or digital, be digitize, categorized by date and type and uploaded with records or documents falling outside the above list restricted to Director access or Board permitted access only. I further move that in this process, all paper Water District records be orderly categorized by date and type according to the organizer's discretion and kept stored in this manner at this office for public inspection as above or Director/Board permitted use as above. Throw away date, if any to be determined by the Board once they can see what is there in an orderly manner and that our M/O accomplish the above as he has time available.

Bookkeeper cautioned against uploading system maps and is supported in this by General Manager/Operator. Post 9/11 infrastructure maps are not to be posted online. Vice President Allen will amend her motion to delete "as well as system map information". Bookkeeper also cautioned anything pertaining to customer information should not be uploaded to a website. General Manager/Operator added that the motion is too ambiguous, that a better policy might be to have all information digitized, then specify items to be uploaded for public access. President Wagner advises that it would be better to table and return with a cleaner set of motions with changes made accordingly. Bookkeeper added she would be leery of publishing the balance sheet due to the complexity of interpretation and CFO Foster stated she worries about the bank signature card being available to the public. Bookkeeper stated no documents such as that should be published. General Manager/Operator expressed concern about malware attacks. Vice President Allen will consult with MRWS to see if they have recommendations on how they would word this motion.

President Wagner: motion to table. Seconded by Director Schmidt with voting as follows: Ayes – President Wagner, *(unable to determine individual votes)*. Motion carries and it is SO RESOLVED by the Board of Directors.

Director Schmidt questioned if anyone who wants to see those records can come to the office to see them. President Wagner confirmed, yes, as stated in Rules & Regs. Vice President Allen added that no, that is not true, that is not stated in the Rules and Regs.

Public notification requirements for rate decrease >5%

President Wagner, recalling from previous meeting, General Manager/Operator had noted a rate decrease of 5% would require two public meetings as well and asked if General Manager/Operator had found any MCA backing that information. That information had been relayed to General Manager/Operator by MRWS with no citation attached. Vice President Allen reviewed the MCA code on that and it states within the code "change in rates" but it is hard to define what it is talking about so the District would need an opinion from legal counsel.

State Fund classification update

Bookkeeper received an emailed response from Payne-West regarding coverage available through other insurance providers as Cincinnati Insurance does not handle Workers Comp policies in Montana. Payne-West has reached out to Liberty, Hartford, Employers, AmTrust and Travelers and all declined to quote. They stated that the 9420 class code is an ineligible class code for those market and that it appears MT State Fund is the only option. Bookkeeper reiterated that the change in class code is due to how we file with the State. President Wagner asked if that can be changed. Not to Bookkeeper's knowledge.

Vice President Allen: Move that the Water District seek an Attorney's General opinion on the unfair classification code of small rural water districts as "municipal" with the State Fund.

President Wagner requested clarity on who would do that. Vice President Allen believes a letter from the Board stating their reasons and asking for an opinion would be in order. CFO Foster questioned how the District is denied attorney support by the State and County, but that the District is considered "municipal" for Workers Comp coding. Vice President Allen stated that by code, the District is not municipal unless it is labeled municipal for some specific purpose so the AG might interpret the code differently than State Fund. Bookkeeper stated she believes the 7510 code is specifically for private entities, but would check on that. CFO Foster asked for the rate increase specifics. Bookkeeper relayed the previous rate was 2.86%, the current rate is 5.14%, but the rate for FY2021 dropped to approximately 5% for General Manager/Operator and Merlin. Vice President Allen believes the AG, if they do not find something in the code that specifically states the District falls under the 9420 classification, can clarify where a Special Purpose District falls and clarify how State Fund should deal with something like that.

Vice President Allen: (reread) move that the Water District seek an Attorney's General opinion on the unfair classification code of small rural water districts as "municipal" with the state fund. Seconded by CFO Foster with voting as follows: Ayes – President Wagner, Director Schmidt, Vice President Allen, CFO Foster. Motion carries and it is SO RESOLVED by the Board of Directors.

Sand Creek Water Right

President Wagner has been advised by Wally Congden, who is an attorney and works for Lake County, not to give up the water right, that there is no court date. President Wagner has also spoken with Abigail St. Lawrence (fees listed below) who stated this is really short notice to defend.

- \$200/hour (correction \$250)
- Paralegal fee \$125/hour
- \$2000 retainer which is put in a trust fund until matter is resolved

General Manager/Operator read the MT Water Court Order Extending the Settlement Deadline (attached). General Manager/Operator's post reading summation notes that the order requires either settlement documents or status report by July 10, 2020. If the District could file a status report by the required date, it could buy the District more time. CFO Foster raised question about

a water right, possibly one on the Middle Fork that was reported on in old, possibly 2010 minutes. President Wagner reported the gentleman in Lake County offered his opinion that the Forest Service are Obama appointees and if Trump is re-elected they will not have the power to continue on with the stuff they are trying to accomplish. Abigail has stated to President Wagner that we are a municipality and we are different, that the decree is for the town of Hungry Horse and the District may have a chance to win this and that the 10-year non-use abandonment criteria may not apply. CFO Foster asked for clarification of the July 10th date. General Manager/Operator stated that according to the Order, if the District does nothing, a Summary Judgement against the District can be issued by the Court, but that is not spelled out specifically. CFO Foster had information from DNRC class she had attended, that the Water Right abandonment had to do with adjudication process making it to the Flathead, so they are trying to get a jump on issues that may be a mess. President Wagner feels it has to do with the Water Compact with Salish Kootenai. President Wagner would like to contact Walter Congden again to check his availability and fee schedule. CFO Foster inquired if retainer is paid, will she (Abigail) issue a status report. President Wagner confirmed this.

Director Schmidt requested background on the Sand Creek right. President Wagner explained its location and infrastructure that was there, that the Water Right is dated 1948, that the new system was installed circa 1983 – 1986 and that the new system was not hooked into that source due to the fact it was surface water. Forest Service is now saying that the system has not been used, the infrastructure is decaying, that it would cost more to fix it, so abandon it, but the District does not want to abandon it. CFO Foster added it is for 999 ac-ft of water/year. Vice President Allen inquired if Ms. St Lawrence gave an estimate on what the total cost for defending the right would be. President Wagner answered that no, until she has more information she would not be able to give that. President Wagner expects to speak with Walter Congden again tomorrow.

Vice President Allen: Moves that the President continues to work with these two attorneys and we authorize him to make a decision to hire within his best judgement the attorney he feels will best suit our purposes.

President Wagner inquired of the Board if it is worth the money. He feels it is a right from 1948 for a lot of water and would be of value. Abigail informed President Wagner that it common for the Forest Service to own the land and the People to own the water, that this is not an unusual case. He definitely feel that if the District pushes it, because they are a municipality, that a ruling could favor the District. General Manager/Operator spoke with Erin Wahl (MRWS) and Cathy Olson (DNRC), and they are of the opinion that yes, it is possible to retain the right, but not that it could be monetarized. Vice President Allen is of the opinion it is worth pursuing.

Vice President Allen: move that we authorize the president of the Board to continue his conversations with the two attorneys and that he would exercise his judgement in how we proceed further with that and that we authorize him to put up the retainer if need be so that we can respond to this status report deadline. CFO Foster seconded and voting was as follows: Ayes – President Wagner, Director Schmidt, Vice President Allen, CFO Foster. Motion carries and it is SO RESOLVED by the Board of Directors.

New Business

Work related injury

General Manager/Operator reported that on May 11th he injured himself turning valves in Hungry Horse. It appears he has subluxated MCP tendon. He has been to the doctor and was referred to an Orthopedic Specialist. He has filed a claim with MT State Fund. The initial review of the claim has been reviewed by MSF and a claim number has been issued. GM/O will hear from the claim auditor/adjustor shortly. All paperwork on the District's part has been submitted and General Manager/Operator is awaiting further guidance from MSF. President Wagner received a call that morning from Randy with MSF inquiring as to the type of employee General Manager/Operator is and what had occurred. President Wagner reported to Randy that General Manager/Operator had demonstrated to Board what happened, that there were no witnesses and that he believe he is

being honest, as far as the Board knows. President Wagner stated he had only been on the Board for two months, but he assumes he is a good one when asked what kind of employee General Manager/Operator is. Randy did stress "no lost time". President Wagner did relay that General Manager/Operator is back to work with his hand taped up. General Manager/Operator reported that if he does have to have surgery on the hand, he expects it would be out-patient surgery, and that he might miss only the day of surgery, with some possible diminished capacity after.

Vice President Allen: move to deal with (items) 3 and 4 first. Seconded by Director Schmidt with voting as follows: Ayes – President Wagner, Vice President Allen, Director Schmidt, CFO Foster. Motion carries and it is SO RESOLVED by the Board of Directors.

Equipment lease/cost share with Coram Water

CFO Foster inquired if an annual payment would be easier than monthly pmt? Bookkeeper stated that either way would require similar efforts. General Manager/Operator stated in the case of severability, it would be cleaner to leave the payment as monthly. Bookkeeper clarified the \$252 payment this month was for the HH share of the billing software annual maintenance fee. It was agreed to leave the payments monthly.

Lifting Moratorium

CFO Foster asked if any of the Board had negative feelings about lifting the moratorium. President Wagner stated all are trying to get back to normal and if someone is having a hardship, they should let us know. Bookkeeper added that part of the Governor's mandate lifting the State moratorium is that the onus is on the customer to prove their hardship. CFO Foster move to lift the moratorium on disconnects. Seconded by Director Schmidt and voting as follows: Ayes – President Wagner, CFO Foster, Vice President Allen, Director Schmidt. Motion carries and it is SO RESOLVED by the Board of Directors.

RD Payoff

Bookkeeper will let the Board know the amount to transfer (either by auto transfer or by written check) and requests they transfer it on or about July 1st, subsequent to interest posting, so that loan payoff can be made on July 5th.

Bookkeeper clarified for President Wagner that while the WFCU account is broken into multiple accounts on the balance sheet, that there is indeed, only one account at the bank.

Vice President Allen has two Reports of the Parliamentarian as well as June ministerial meeting minutes that will be deferred to the next meeting.

Vice President Allen stated that in the April 2019 minutes, if the Secretary was excused, the Bookkeeper had agreed to keep the minutes. The Bookkeeper acknowledged this and agreed to type up the minutes, but only in a temporary capacity.

Preliminary Budget

Based upon last year's budget:

Income:

- Adjustments down to \$2500.00
- Charges for Services (base rate, usage down due to net loss of 1 service)
 - Bookkeeper and General Manager/Operator confirmed monies were collected for Knife River sales.
- Disconnects/reconnects remain the same
- Handling charge – remove line item
- FEC Capital Credit at \$400.00

Expenses:

- Audit expense would have to be added if that were going to occur.

- Bank charges are an in & out charges. They are charges from the bank for returned checks that are passed back to the customer with the returned check. Will show as "Other Income" to offset.
- Contract Services monies were allocated for telemetry upgrade last year. Because the system is being repaired instead of replaced, monies will be allocated in Repair & Maintenance for FY2021.
- Depreciation Expense remains the same.
- Electricity is estimated at \$9700.00 for FY2020. FEC has sent notification 0% increase for FY2021 so budget allocation is reduced to \$10,000.00.
- \$150.00 will be allocated for freight. The majority of that expense is freight on cardstock and envelopes for billing.
- Insurance Expense is based on invoicing received for FY2021 and does not include Workers Comp Insurance.
- Interest Expense does include RD#2. Bookkeeper will rework that amount to account for the payoff of RD#2.
- Legal Expense would increase if retainer fees, etc...are anticipated.
 - CFO Foster suggested \$2500.00; President Wagner concurred that would be a minimal amount. Bookkeeper will add.
- Vice President Allen inquired about Hook Up Expense. Bookkeeper asked General Manager/Operator if he thought there may be a new hookup in the next FY. This is an in & out account, offset by Prepaid Hook Up Fees.
- Membership/Travel/Training will remain the same as the 2020 conference is cancelled due to COVID but Bookkeeper will double check the number as \$600 has been spent in FY2020 to date.
- Mileage to remain at \$500.
- Miscellaneous to remain at \$250.
- Office Supplies includes postage, cardstock, pens, spray paint, flagging, etc...was raised to \$4800. Bookkeeper provided the Board with a report of purchases for FY2020. If anyone has questions, she will explain those items.
- Payroll Expenses need to be double checked after looking at FY2020.
- Payroll taxes are include with Payroll Expenses, so separate line item.
- Permits needs to be double checked.
- Professional fees would be a consult other than a lawyer or auditor.
- Property taxes remain the same.
- Bookkeeper will go to Glacier Bank to figure out the Reconciliation Discrepancies.
- Repair and Maintenance, after conferring with General Manager/Operator, will remain at \$12,000.00.
- State User Fee is a set fee and the District has a net loss of 1 service.
 - CFO Foster asked for clarification on the District's income. Bookkeeper confirmed the District will be approximately \$10,000.00 short.
- Telephone Expense was upped as Bookkeeper will ask for \$30.00/month for phone reimbursement as she currently receives none.
- Testing has been reduced to \$305 to cover twelve Bac-T and one Nitrate test.
- Work Comp Expense is based upon what was paid this year, but is hoping to have an invoice prior to finalization.
- Delinquent Charges remains the same as it was fairly close to FY2020.
- Interest Income
 - Bookkeeper recommends putting a set percentage of sales into savings to make up for what was lost, which would boost Interest Income as well as putting the Plant Investment Fees from two new hook ups into savings
- Bank Charges need to be added to Other Income

Vice President Allen inquired if there was value in looking at a five year average in estimating the budget for the coming year. Bookkeeper responded not with items such as Workers Comp as it has large swings. General Manager/Operator added that with water usage, the rate change it would skew numbers, but Bookkeeper responded she could pull out the usage information and

calculate the five year on that. She inquired how long ago the usage rate increased, but with the changes in property ownership it would be a bit more consistent to use the last year. She will run the numbers based upon last year and a five-year average for comparison.

Vice President Allen inquired if Bookkeeper would be able to run projection at 5% decrease in base rate and an increase to \$10.00 for the late fee. Bookkeeper will run those numbers.

President Wagner inquired about a sprinkling rate. Bookkeeper reported that Coram does have a sprinkling rate and how they average usage from November – April, then charge the regular usage for that usage and the sprinkling rate for all usage over that average. She explained for all customers that are gone in the winter, their average usage is 0 so all usage in the summer is calculated at the sprinkling rate. CFO Foster inquired if you could do a sprinkling rate on the District's average usage. Bookkeeper responded that they could, but the District does not charge a commercial rate so couldn't separate out the larger users. Bookkeeper pointed out that with a sprinkling rate, seasonal customers are only paying usage at that sprinkling rate. GM/O pointed out that seasonal customers pay the base rate year-round, even when not using water. Vice President Allen believes that the mission statement should guide that decision and make sure that non-year-round residents are not being shown favoritism. President Wagner stated the policy could be changed if they found it was fair to everybody.

Manager's Report – See attached

Comments:

- Future discussion on reconnection fee after abandonment proposed (President Wagner & CFO Foster)
- Insulating spray paint for exterior of pump house (President Wagner)
- Meter pit with cradle, install a slug so water cannot be turned back on illegally (President Wagner). Ben suggested a key lock instead.
- Create an abandonment form so there is a physical record (bookkeeper).
- Bookkeeper and General Manager will check about safety deposit box key.

Vice President Allen moves the District purchase Accounting for Managers and the e-book (printed and bound) Finances and Accounting for Non-Financial Managers for Directors' use in the library. Seconded by CFO Foster and voting as follows: Ayes – President Wagner, Vice President Allen, Director Schmidt. Motion carries and it is SO RESOLVED by the Board of Directors.

President Wagner moves to adjourn. Seconded by CFO Foster and voting as follows: President Wagner, CFO Foster, Vice President Allen, Director Schmidt. Motion carries and it is SO RESOLVED by the Board of Directors.

Minutes approved at the August 20, 2020 meeting:

Douglas T. Wagner 9/3/20
President

ATTEST: [Signature] 9-3-2020
Secretary pro tem